

House Republican Press Release

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Rep. DelGobbo Oppose Budget that Spends Too Much and Leads Connecticut Over a Cliff



State Representative Kevin M. DelGobbo (R-70th, Naugatuck) today voted against a proposed \$31-billion, two-year budget that increases state spending by 12.2 percent over the next two years.

Rep. DelGobbo said the level of spending is unsustainable and the legislature cannot continue hiking spending at this rate without creating another fiscal crisis as the state faced in 1991 and again in 2001 through 2003.

“The biggest disappointment is this legislature has not learned any of the lessons that we lived through for the past three to four years,” said Rep. DelGobbo. “This budget does not do the people of the state any favors if the framework just collapses every decade. This level of spending simply is not sustainable and we are heading over another cliff.”

Rep. DelGobbo, a member of the legislature’s Finance, Revenue and Bonding committee, said, “We simply are not being honest about where this budget takes us. We are teetering on the edge of yet another fiscal catastrophe.”

The Naugatuck legislator noted that state is expected to end the current fiscal year on June 30 with a \$700 million projected surplus and virtually all of it will be spent.

He said, “It is astonishing that, after all the state has been through, that about 90 percent of this surplus is being spent on various programs and only \$70 million will be returned to the state Rainy Day Fund for future emergencies. This is a glaring example of uncontrolled spending practices.”

Rep. DelGobbo said the legislature is not being honest about honoring the state spending cap that is supposed to limit annual spending increases to about four to five percent a year. Rep. DelGobbo noted that about \$600 million in proposed expenditures are excluded from spending cap calculations, including a nursing home tax.

Rep. DelGobbo also criticized the legislature’s failure to restore the annual \$500 property tax credit that taxpayers receive when filing their annual state income tax returns. The \$500 credit was reduced during fiscal hard times a few years ago to \$350. The credit is scheduled increase to \$400 in 2006.

Further, Rep. DelGobbo questioned the inclusion of an \$18-million slush fund for which no uses have been identified and which will be allocated at the direction of the House and Senate leadership.

Rep. DelGobbo offered several amendments which the legislative majority rejected:

- Exempting 50 percent of military retirement pay from the state income tax
- Exempting 50 percent of all public and private pension benefits from the state income tax
- Exempting family farms from the state death tax
- Exempting primary residences from the state death tax
- Eliminating the 20 percent corporate income tax surcharge
- Protecting payments collected on consumers' electric bills for the Conservation and Load Management Fund from being raided for General Fund purposes. Rep. DelGobbo said taking money from utility bills is the most regressive form of taxation.

The budget passed the state House of Representative mostly along party lines, and now goes to the state Senate and then to the governor for her signature.

Other elements of the budget are as follows:

- The budget breaks the spending cap in three consecutive years. The declarations in each year to not include certain expenditures keep spending below the cap.
- The budget increases spending by 8.9% in the first year of the biennium. This is hardly the minimal growth needed to get through a major deficit.
- Not only is there not a penny of net spending cuts in the budget, the spending portion actually worsens the gap by exceeding current law spending by over \$110 million.
- To maintain the illusion that the deficit is eliminated, the budget employs about \$300 million each year in gimmicks. These build a hole in the outyears.
- To pay for the spending package, this budget spends close to \$650 million of the projected \$700 million surplus.
- The tax package includes almost \$738 million in new and deferred tax increases over the biennium. The centerpieces of these taxes are the estate tax and the corporate surcharge.

- Bridgeport, Hartford, and New Haven receive \$20 million or 32% of the total \$62 million in education funding. The student population represents only 11.9% of all students.
- Of the entire \$90 million increase in municipal aid, those same big cities receive \$28 million or about 31% of the total increase. The total population of the three towns represents only 11.4% of the state's total population.
- The budget sets aside \$18 million over the biennium as a slush fund.

Spending Cap

The OFA analysis indicates that the two years of the biennial budget are slightly under the spending cap. Without declaration from the Governor, the budget in both years exceeds the cap by over \$200 million. More importantly, spending in the current fiscal year exceeds the cap by hundreds of millions of dollars. This budget proposal violates the cap not once or twice, but three times.

How does this budget close the budget gap?

- Spending Cuts – Not only is there not a penny of net spending cuts in the budget, the spending portion actually worsens the gap by exceeding current law spending by over \$110 million.
- Gimmicks – The absence of any spending cuts is masked by the use of surplus in the budget. Surplus money is appropriated this fiscal year and carried forward into the next two years in order to maintain the illusion of being under the cap. One-shot revenues total about \$300 million

Taxes – The tax package includes almost \$400 million in new and deferred tax increases. The centerpiece of these taxes are the estate tax and the corporate surcharge.